

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 264
INFO AMCONSUL MONTERREY POUCH
AMCONSUL GUADALAJARA POUCH

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PASS EXIM BANK

EO 11652 : N/A
TAGS : EFIN EIND MX
SUBJ : DINA CUT IN PRODUCTION

1. SUMMARY

DINA, FOURTH LARGEST AUTOMOTIVE MANUFACTURER IN MEXICO AND MAJOR PARASTATAL COMPANY IN CIUDAD SAHAGUN COMPLEX, HALTED PRODUCTION FOR TWO WEEKS AND FACES MAJOR ECONOMIC DIFFICULTIES WHICH MAY CAUSE PRESIDENTIAL CONCERN IN GOM. END SUMMARY.

2. DINA, ONE OF PARASTATAL COMPANIES IN CIUDAD SAHAGUN COMPLEX, SUSPENDED MOST ACTIVITIES FROM JANUARY 21 TO FEB 4. MANAGEMENT CONVINCED LABOR UNION TO TAKE MAY VACATION NOW. BEFORE VACATION, DINA PRODUCTION WAS VIRTUALLY HALTED DUE TO SCARCITY OF PARTS, BOTH DOMESTIC AND IMPORTED.

3. IN TELCON WITH EMBOFF, DINA'S SUBDIRECTOR OF FINANCING REFERRED TO VICIOUS CIRCLE: BANKS WON'T SUPPLY CREDIT, SUPPLIERS WON'T SHIP GOODS, LACK OF PARTS STALLS PRODUCTION,
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HENCE WORSENING FINANCIAL SITUATION OF COMPANY. SUBDIRECTOR JUST RETURNED FROM 2-WEEK VISIT TO U.S. SUPPLIERS AND BANKERS, WHO, SUBDIRECTOR SAID, HAVE "WAIT AND SEE" ATTITUDE TOWARDS MEXICAN ECONOMY. IMPLICATIONS ARE THAT DELAYS IN CREDITS AGGRAVATE CURRENT SITUATION.

4. NEW DIRECTOR-GENERAL OF SAHAGUN COMPLEX, FORMER SECRETARY OF

NATIONAL PATRIMONY, FRANCISCO JAVIER ALEJO ALSO FACES STRIKE AND NEGOTIATIONS ON NEW WAGE CONTRACTS STARTING FEB 7. INDEPENDENT UNION ASKING FOR 37 PERCENT WAGE INCREASE BUT ALL AUTO UNIONS CUSTOMARILY MAKE HIGH DEMANDS. GM ALSO OUT ON STRIKE THIS WEEK OVER 24 PERCENT DEMAND. DINA UNION ALSO CONCERNED ON POSSIBLE LAY-OFFS. OTHER CD. SAHAGUN COMPANIES HAVE HAD RECURRENT LABOR PROBLEMS AND U.S. DIESEL MOTOR MANUFACTURER CUMMINS MAY BE CONSIDERING SEEKING ALTERNATIVES TO ITS ASSEMBLY CONTRACT WITH DINA.

5. DINA PRODUCED 23,692 RENAULT CARS, 13,190 TRUCKS, 384 MOTOR-TRUCKS AND 678 BUSES IN 1976, UP SLIGHTLY FROM THE 1975 LEVEL, BUT MONTHLY PRODUCTION DIPPED SUBSTANTIALLY IN THE LAST QUARTER.

6. OVER 8 BILLION PESOS INVESTED IN SAHAGUN COMPLEX, WHICH ALSO INCLUDES 10 OTHER COMPANIES MAKING RAILROAD AND SUBWAY CARS, AGRICULTURAL CONSTRUCTION TRACTORS, MOTORS, STEEL, AND MEDICAL EQUIPMENT. DINA RANKED THIRTEENTH IN MEXICAN VERSION OF FORTUNE 500 PUBLISHED BY EXPANSION AND RANKS SEVENTH IN SPENDING AMONG PARASTATAL COMPANIES. THREE PRINCIPAL COMPANIES IN SAHAGUN COMPLEX, DINA, CNCF (RAILROAD CARS) AND SIDENA (STEEL) EMPLOY OVER 14,000. CNCF AND SIDENA ARE REPORTED TO HAVE LAID-OFF MANY WORKERS IN RECENT WEEKS. SAHAGUN COMPLEX MOSTLY LOCATED IN TOWN OF THAT NAME NEAR MEXICO CITY, BUT PARTLY IN TOLUCA AND MONTERREY.

7. COMMENT. MEXICAN AUTOMOTIVE INDUSTRY HARD HIT BY DEVALUATION AS SOME THIRTY TO FORTY PERCENT OF PARTS MUST STILL BE IMPORTED. DINA'S NATIONAL INTEGRATION IS 64 PERCENT FOR CARS AND 70 PERCENT FOR TRUCKS; IMPORTS OF PARTS; ESTIMATED AT 3.5 MILLION PESOS IN LIMITED OFFICIAL USE

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1976. STRUCTURE OF INDUSTRY WITH MULTIPLICITY OF MODELS PRODUCED PREVENTS ECONOMIES OF SCALE. MOST COMPANIES INCLUDING DINA WERE CONSIDERED INEFFICIENT EVEN BEFORE DEVALUATION, WHICH HAS WORSENERED THEIR FINANCIAL POSITION. ALL AUTO MANUFACTURERS CUTTING 1977 PRODUCTION AS SALES FELL SHARPLY FOLLOWING INCREASES IN UNIT PRICES, AUTO TAXES, AND GASOLINE PRICE AND LACK OF CREDIT IN LATE 1976. LOPEZ PORTILLO'S GOVERNMENT HAS STATED POLICY OF ENFORCING MORE EFFICIENT MANAGEMENT IN UNPROFITABLE PARASTATALS. SINCE DINA IS MAJOR PARASTATAL AND DIRECTLY EMPLOYS SOME 7,500, PLUS SOME 3,000 THROUGH PRIVATE DISTRIBUTORS, GOM IS UNDER PRESSURE TO KEEP DINA AFLOAT, HENCE LIKELY TO BECOME ACTIVE IN HELPING COMPANY FIND NECESSARY SOURCES OF CREDIT, WHETHER DOMESTIC OR FOREIGN.

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Message Attributes

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Control Number: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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